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**Statement of U.S. Trade Representative Robert B. Zoellick
On U.S.-China Trade Relations**

(As Prepared for Delivery)

Good afternoon. We are here today to discuss the best way to achieve real results in America's economic relationship with China.

After a decade of vigorous debate in Congress every year over maintaining normal trade relations with China, in 2000 a bipartisan majority of Republicans and Democrats agreed to authorize Permanent Normal Trade Relations (PNTR) with China. That broadly bipartisan, long-term policy rests on the principle that a strong and growing trade relationship, driven by mutual interests, is the best way to encourage economic, social, and political reform in China. The Bush Administration remains firmly committed to that policy.

Trade with China brings benefits to American workers, farmers, and consumers. It supports good-paying jobs in the United States, creates a growing market for American manufactured goods and farm products, and puts a wide range of affordable products on American store shelves.

As President Bush often says, America's workers are the best in the world and can compete with anyone when we have a level playing field. In working to ensure a level playing field, this Administration has not hesitated to enforce U.S. trade laws to make sure that our products and services get a fair shake.

We filed the first-ever WTO enforcement action against China, for its discriminatory taxation of U.S. semiconductors in a case that could benefit all U.S. manufacturers.

We imposed the first safeguard actions against Chinese textile and apparel imports.

We implemented a safeguard on steel imports, including many from China, that assisted our steel industry and workers in becoming competitive.

Approximately half of all U.S. antidumping cases accepted by the Administration in 2003 were against unfair Chinese imports.

In addition, due to our forceful engagement with China and our vigilance in holding China to its WTO obligations, just last week Secretary Evans and I met with our Chinese counterparts at the Joint Commission on Commerce and Trade (JCCT) and resolved seven potential WTO cases with China. These advances dealt with high-technology products, agriculture, and intellectual property protection – and they bring immediate benefits to American manufacturers, high-tech workers and farmers. We will continue to follow up on those successes.

While some would prefer to litigate for litigation's sake, our Administration is focused on producing real results, in real time. Our willingness to stand up for American workers and farmers is paying off: U.S. exports to China are growing at record levels—up 76% in the last three years, including the exports of small and medium sized businesses. American farmers and manufacturers are seeing tangible results of opening markets abroad. Last year, we had an agricultural trade surplus of \$3.7 billion with China and we had a services trade surplus of \$1.9 billion in 2002. In the first two months of this year, our trade deficit with China declined by 28 percent.

America's policy of leveraged engagement gives us constructive new ways to press for real results in China. For example, in the JCCT meeting last week, China emphasized that it is deeply interested in being treated as a "market economy" under U.S. antidumping trade laws. Under U.S. law, the first two criteria that China must meet to be considered as a "market economy" are:

- The extent to which the currency of China is convertible; and
- The extent to which wage rates in the foreign country are determined by free bargaining between labor and management.

Two of the other criteria address the extent of government ownership and interference in prices and production. These statutory criteria, together with China's strong interest in being recognized as a market economy under U.S. laws, provide us with significant leverage on labor, currency, subsidy and other issues, and we plan to use it.

Secretary Evans will talk in a few minutes about the steps we are taking on market economy status that will connect our labor and currency concerns to China's interests. These discussions offer an effective way to produce real results in these and other critical areas.

On the issue of currency, my colleague Secretary Snow has been deeply engaged in bilateral consultations with China, including with China's central bank, for many months. Later this spring, Vice Premier Huang Ju will come to the United States to continue those discussions. These consultations, and market forces within China itself, appear to be moving China's policy in the right direction, as is evidenced by the statements of Chinese officials. For example, Governor Zhou of China's central bank said recently that "building a more market-driven trading system for the renminbi is now a task of top priority." Secretary Snow has also built multilateral support for our policy by working with the Group of Seven finance ministers to issue a common view that major economies like China should adopt flexible exchange rates. In a moment Secretary Snow will give you more details on his program.

In the area of labor, this Administration has done more than any other to promote better labor conditions through trade. We have now completed six trade agreements that have ground-breaking provisions on labor rights and environmental standards, supplemented by cooperative programs and capacity-building that are resulting not only in better *enforcement* of labor laws, but in better labor laws. The United States is the only country pushing for these kinds of labor provisions in its trade agreements.

In the case of China, today we announce that the U.S. and China are launching a comprehensive joint effort aimed at the effective implementation by China of International Labor Organization (ILO) core labor standards, in keeping with China's level of development and its emergence as one of the world's leading trading powers.

It is important to recall the progress that has already been made. Since China began opening its economy to the outside world in 1978, average annual per-person income has grown five-fold. Adult illiteracy has been cut in half. And nearly 200 million people have risen out of absolute poverty through economic growth fueled by trade. That is one of the largest and fastest reductions in poverty in human history.

These changes in China are mostly the result of domestic economic reforms linked to China's economic opening to the world. Our policies encourage those reforms and seek to deepen them. At the same time, we will not shrink from stressing our interests and ideals when we believe China needs to make more progress. The Administration is pressing China on its overall human rights record, including worker rights, bilaterally and through the U.N. Commission on Human Rights in Geneva. We are working in the ILO, where both China and the United States are members, toward a Chinese labor system that better respects internationally recognized worker rights. In a moment, Secretary Chao will discuss some of the cooperative efforts we have under way to address specific problems.

Recently, some have urged that the policy of real results be abandoned and replaced by a policy of economic isolationism. For example, the AFL-CIO filed a petition with the Office of the U.S. Trade Representative that calls for ending our economic relationship with China by slapping 77% tariffs on imports, a move that would jeopardize our own growing exports to China.

If that were not a big enough wall against trade and development, the petition goes further and demands new conditions that would halt all progress toward opening markets for U.S. goods and services in the Doha negotiations at the World Trade Organization.

It seems that whether the question is trade with a high-wage developed nation like Australia, or trade with an emerging economy like China, the solution of economic isolationists is always the same: to stop trade and put up walls around America.

Now, others are reported to be considering other trade petitions, focusing on China's currency valuation, that, while well-meaning, call for similar measures to raise tariff walls.

We do not need to conduct a year-long investigation to know that there are serious concerns with labor rights and working conditions in China, as there are in many other developing countries. We do not need a year-long investigation to know that we have serious concerns with China's policies on the value of its currency.

These concerns are valid, and we have been addressing them continuously in a constructive manner.

The question is not whether we approve or disapprove of China's practices. The real question is: how can we best change those practices? This Administration believes that trade and economic growth -- combined with the use of leverage to pursue mutual interests under agreed international rules -- will move China faster and further toward achieving real results than a retreat into economic isolationism and the raising of barriers that block trade.

The AFL-CIO petition, and the possible petition on currency issues, both seek remedies that would worsen the very problems they are trying to solve.

To take such isolationist measures would hurt millions of American workers whose jobs depend on a vibrant and open trading relationship with China and the world. More broadly, the U.S. and world economies would suffer if trade barriers are raised.

To take such measures would hurt American families by raising the costs of everyday products they buy.

And to take such measures would worsen the very Chinese working conditions we are concerned about, because these measures would cut China off from trade that will help overcome poverty and improve working conditions.

Accepting these petitions would take us down the path of economic isolationism. That is a path we will not take.

There is a better, more hopeful path. The Administration's policy is producing real results, expanded trade, good jobs for Americans, better living conditions for Chinese, and a relationship of peace and stability in Asia. Our policy offers better, more targeted tools to address the labor, currency, and other concerns we all want to address. Our policy is firmly grounded in America's ideals, was forged from more than a decade of vigorous domestic debate, and continues the bipartisan internationalist approach reached four years ago by the U.S. Congress. It is the right policy.

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